

City of Westland, Michigan

Financial Report with Supplemental Information June 30, 2003

City of Westland, Michigan
Financial Report
June 30, 2003

MAYOR SANDRA A. CICIRELLI

City Council

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James Godbout, President Pro Tem
Cheryl Graunstadt
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Dennis LeMaitre
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City Administration

Budget Director
Building
CATV/Community Relations
City Assessor
City Clerk
Community Development Programs
Construction Maintenance Superintendent
Controller
Economic Development
Executive Assistant
Finance
Fire Chief
Law
Management Information System
Parks and Recreation
Personnel
Police Chief
Public Service
Planning
Senior Resources Director
Water and Sewer Superintendent

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City of Westland, Michigan

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Independent Auditor's Report

To the Members of the City Council
City of Westland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Westland, Michigan as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Westland, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Westland, Michigan as of June 30, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pension system schedule of funding progress, and budgetary comparisons (identified in the table of contents as required supplemental information) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Members of the City Council
City of Westland, Michigan

The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westland, Michigan's basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2003 on our consideration of the City of Westland, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note I, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2002.

Plante & Moran, PLLC

October 27, 2003

City of Westland, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Westland, Michigan's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2003:

- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$500,000 this year. To offset the reduction in State-shared revenue, the City has left vacant positions unfilled, made cuts to departmental budgets, and offered an early retirement to all City employees with 18 years of service. This allowed the City to eliminate positions through attrition vs. lay-offs.
- Total net assets related to the City's governmental activities decreased by approximately \$28.6 million. However, fund balances for the governmental funds decreased by approximately \$2.1 million during the year. The most significant difference between the decrease in fund balances and the decrease in net assets relates to the capitalization and depreciation of capital assets in the government-wide statement of net assets.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

The City of Westland as a Whole

The following table shows, in a condensed format, the net assets as of the current date:

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets	\$ 17,153,326	\$ 11,882,182	\$ 29,035,508
Noncurrent assets	414,453,949	76,582,978	491,036,927
Total assets	431,607,275	88,465,160	520,072,435
Liabilities			
Current liabilities	4,440,044	2,742,744	7,182,788
Long-term liabilities	20,962,611	8,890,537	29,853,148
Total liabilities	25,402,655	11,633,281	37,035,936
Net Assets			
Invested in capital assets - Net of related debt	400,158,679	66,297,483	466,456,162
Restricted	9,456,535	1,564,565	11,021,100
Unrestricted (deficit)	(3,410,594)	8,969,831	5,559,237
Total net assets	<u>\$ 406,204,620</u>	<u>\$ 76,831,879</u>	<u>\$ 483,036,499</u>

The City's combined net assets decreased 5 percent from a year ago - decreasing from \$509,157,384 to \$483,036,499. This is generally as a result of depreciation of the City's capital assets. For the year ended June 30, 2003, depreciation was approximately \$32,000,000.

Unrestricted net assets - the part of net assets that can be used to finance operations - is currently at a deficit of \$3,410,594 for governmental activities. This is generally a result of the accrual of the compensated absences of City employees, which will be paid from future revenue sources. This accrual is approximately \$6,800,000.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current year:

	Governmental Activities	Business-type Activities	Total
Net Assets - Beginning of year	\$ 434,832,693	\$ 74,324,691	\$ 509,157,384
Revenue			
Program revenue:			
Charges for services	15,731,971	16,934,082	32,666,053
Operating grants and contributions	6,947,396	407,186	7,354,582
Capital grants and contributions	2,072,722	1,689,598	3,762,320
General revenue:			
Property taxes	21,388,780	-	21,388,780
State-shared revenue	9,913,816	-	9,913,816
Interest	282,362	66,133	348,495
Transfers and other revenue	2,011,004	(63,000)	1,948,004
Total revenue	58,348,051	19,033,999	77,382,050
Program Expenses			
General government	10,271,950	-	10,271,950
Public safety	27,628,535	-	27,628,535
Public works	38,817,091	-	38,817,091
Community and economic development	2,970,750	-	2,970,750
Cultural and recreation	6,471,871	-	6,471,871
Miscellaneous	41,670	-	41,670
Interest on long-term debt	774,257	-	774,257
Water and sewer	-	16,526,811	16,526,811
Total program expenses	86,976,124	16,526,811	103,502,935
Change in Net Assets	(28,628,073)	2,507,188	(26,120,885)
Net Assets - End of year	\$ 406,204,620	\$ 76,831,879	\$ 483,036,499

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

As this is the first year of implementation for GASB No. 34, comparative information on a government-wide basis is not available for the year ended June 30, 2002. Comparative information will be presented in the management's discussion and analysis for the year ending June 30, 2004. In the current year, comparative information will be discussed for the fund financial statements only.

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. The City provides water to residents from the Detroit water system. The City also provides sewage treatment through Wayne County. The fiscal year ended 2003 was drier than the previous year, which resulted in increased usage in the water system. In addition, effective July 1, 2002, the City Council increased the water rate by 9.4 percent and sewer rate by 7.9 percent to pass on the increase in costs from the City of Detroit and Wayne County.

The City of Westland's Funds

Our analysis of the City's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The Westland City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as major and local road maintenance and debt service. The City's major funds for 2003 include the General Fund, the Major Street Fund, and the Water and Sewer Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$27.7 million in 2003. Other government services accounted for in the General Fund include general government (Finance, City Clerk, City Assessor, Economic Development, Community Development, and the Mayor's Office), sanitation, and recreation. General Fund expenditures increased by approximately \$1.9 million due to increases in health care costs, severance packages to retiring employees, and the rising costs of public safety. To offset this, the City closely monitored its spending in all other areas, including capital outlay, personnel costs, conferences and seminars, and any non-essential services.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. The most significant change to the original budget was an increase to the Parks and Recreation Department of approximately \$370,000 for the construction of a skate park, which will be reimbursed by a State grant. The original budget was also amended to increase the Fire Department operating supplies by approximately \$200,000. This amendment was a result of a grant received to purchase a self-contained breathing apparatus. City departments overall stayed below budget, with the exception of general government, insurance and bonds, and the Police Department. Despite these three departments, the City still maintained total expenditures of \$2,072,424 below budget.

The decrease in State-shared revenue and other anticipated revenues resulted in the 40 percent decrease in the General Fund's fund balance (reserved and unreserved combined) from \$4,870,826 at June 30, 2002 to \$2,925,891 at June 30, 2003.

Capital Asset and Debt Administration

As of June 30, 2003, the City had a total of approximately \$488,674,000 invested in a broad range of capital assets, including roads, buildings, police and fire equipment, and water and sewer lines.

The Police and Fire Departments made significant investments during the fiscal year ended June 30, 2003. The Police Department, aided by a federal grant, entered into a five-year lease-to-purchase agreement for 33 laptops to improve their effectiveness in the field. The Fire Department, also assisted by grant proceeds, purchased a self-contained breathing apparatus for approximately \$200,000.

Debt service makes up approximately 3.3 percent of the total general governmental expenditures. Bonded debt and other long-term obligations were reduced by approximately \$3,064,000.

More detailed information concerning capital assets and long-term debt can be found in Notes 5 and 8, respectively, in the notes to the financial statements.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The City's budget for the fiscal year ending June 30, 2004 takes into consideration another potential decrease in State-shared revenue and a cautious economic climate. Because of the impact of state legislation (Proposal A), an increase in property tax revenue as a result of increasing taxable value will be small. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow less than by inflation, before considering new property additions. As a result, the budget will call for further cuts in expenditures and the City will need to continue to watch the budget very closely.

As discussed above, the fiscal year ending June 30, 2004 budget anticipated that the water and sewer costs will increase. As a result, the water and sewer rates were raised 1.4 percent and 4.9 percent, respectively, effective July 1, 2003.

Contacting the City's Management

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. For additional questions about this report or additional information, requests should be directed to the Finance Department.

City of Westland, Michigan

Statement of Net Assets June 30, 2003

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 9,859,567	\$ 4,289,376	\$ 14,148,943	\$ 1,399,926
Investments (Note 3)	660,170	-	660,170	402,415
Receivables (Note 4)	6,367,214	7,207,133	13,574,347	266,748
Internal balances	(8,285)	8,285	-	-
Inventories	21,265	360,366	381,631	-
Prepaid costs and other assets	253,395	17,022	270,417	-
Restricted assets (Note 6)	-	1,564,565	1,564,565	-
Investment in joint ventures	797,970	-	797,970	-
Capital assets - Net (Note 5)	413,655,979	75,018,413	488,674,392	90,000
Total assets	431,607,275	88,465,160	520,072,435	2,159,089
Liabilities				
Accounts payable	2,484,062	1,927,212	4,411,274	39,063
Accrued and other liabilities	1,955,982	815,532	2,771,514	-
Long-term debt (Note 8):				
Due within one year	3,751,736	1,631,441	5,383,177	65,000
Due in more than one year	17,210,875	7,259,096	24,469,971	460,000
Total liabilities	25,402,655	11,633,281	37,035,936	564,063
Net Assets				
Invested in capital assets - Net of related debt	400,158,679	66,297,483	466,456,162	(435,000)
Restricted (Note 13)	9,456,535	1,564,565	11,021,100	-
Unrestricted	(3,410,594)	8,969,831	5,559,237	2,030,026
Total net assets	\$ 406,204,620	\$ 76,831,879	\$ 483,036,499	\$ 1,595,026

City of Westland, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating Grants and Contributions	Capital Grants and Contributions
		Services		
Primary government - Governmental activities:				
General government	\$ 10,271,950	\$ 5,684,809	\$ 1,003	\$ -
Public safety	27,628,535	7,243,010	79,143	243,847
Public works	38,817,091	745,635	4,741,359	1,828,875
Community and economic development	2,970,750	621	1,919,401	-
Cultural and recreation	6,471,871	2,057,896	206,490	-
Miscellaneous	41,670	-	-	-
Interest on long-term debt	774,257	-	-	-
Total primary government - Governmental activities	86,976,124	15,731,971	6,947,396	2,072,722
Business-type activities - Water and sewer	16,526,811	16,934,082	407,186	1,689,598
Total primary government	<u>\$ 103,502,935</u>	<u>\$ 32,666,053</u>	<u>\$ 7,354,582</u>	<u>\$ 3,762,320</u>
Component units	<u>\$ 973,373</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes
State-shared revenues
Interest
Refund of captured property taxes
Transfers

Total general revenues and transfers

Change in Net Assets

Net Assets - July 1, 2002

Net Assets - June 30, 2003

Statement of Activities
Year Ended June 30, 2003

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (4,586,138)	\$ -	\$ (4,586,138)	\$ -
(20,062,535)	-	(20,062,535)	-
(31,501,222)	-	(31,501,222)	-
(1,050,728)	-	(1,050,728)	-
(4,207,485)	-	(4,207,485)	-
(41,670)	-	(41,670)	-
(774,257)	-	(774,257)	-
(62,224,035)	-	(62,224,035)	-
-	2,504,055	2,504,055	-
(62,224,035)	2,504,055	(59,719,980)	-
-	-	-	(973,373)
21,388,780	-	21,388,780	4,477,178
9,913,816	-	9,913,816	-
282,362	66,133	348,495	73,066
1,948,004	-	1,948,004	(4,150,000)
63,000	(63,000)	-	-
33,595,962	3,133	33,599,095	400,244
(28,628,073)	2,507,188	(26,120,885)	(573,129)
434,832,693	74,324,691	509,157,384	2,168,155
\$ 406,204,620	\$ 76,831,879	\$ 483,036,499	\$ 1,595,026

City of Westland, Michigan

Governmental Funds Balance Sheet June 30, 2003

	General Fund	Major Road Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,955,837	\$ 3,024,637	\$ 4,849,506	\$ 9,829,980
Investments	-	256,911	403,259	660,170
Receivables	1,043,552	986	751,861	1,796,399
Prepaid costs and other assets	157,488	-	18,903	176,391
Due from other funds	1,133,574	-	1,485,056	2,618,630
Due from other governmental units	3,279,244	578,128	713,443	4,570,815
Total assets	<u>\$ 7,569,695</u>	<u>\$ 3,860,662</u>	<u>\$ 8,222,028</u>	<u>\$ 19,652,385</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 2,002,390	\$ 335,897	\$ 110,803	\$ 2,449,090
Accrued and other liabilities	1,131,060	-	-	1,131,060
Due to other funds	1,510,354	445,491	1,313,133	3,268,978
Escrow deposits	-	-	100,000	100,000
Deferred revenue	-	-	453,100	453,100
Total liabilities	4,643,804	781,388	1,977,036	7,402,228
Fund Balances				
Reserved for (Note 13):				
Retirement System	1,364,000	-	-	1,364,000
Other purposes	1,164,488	-	127,557	1,292,045
Unreserved	397,403	3,079,274	-	3,476,677
Unreserved - Reported in nonmajor:				
Special Revenue Funds	-	-	4,901,584	4,901,584
Debt Service Funds	-	-	982,250	982,250
Unreserved - Designated for capital projects	-	-	233,601	233,601
Total fund balances	<u>\$ 2,925,891</u>	<u>\$ 3,079,274</u>	<u>\$ 6,244,992</u>	12,250,157

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and are not reported in the funds	411,012,655
Deferred revenue is reported in the governmental funds, but not in the government-wide statements	453,100
Accrued interest on long-term liabilities is not reported in the funds	(159,975)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(20,677,103)
Interest in joint ventures is not recorded in governmental funds	797,970
A portion of Internal Service Funds is included as part of governmental activities	2,527,816
Net assets of governmental activities	<u>\$ 406,204,620</u>

City of Westland, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2003

	General Fund	Major Road Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 19,181,648	\$ -	\$ 2,452,347	\$ 21,633,995
Licenses and permits	1,181,424	-	-	1,181,424
Federal sources	277,636	2,448	1,920,022	2,200,106
State sources	10,091,179	3,347,453	1,281,553	14,720,185
Local sources	514,008	-	976,772	1,490,780
Charges for services	6,584,598	-	1,160,529	7,745,127
Court fines and fees	3,557,639	-	-	3,557,639
Special assessments	-	-	982,092	982,092
Refund of captured property taxes	1,948,004	-	264,542	2,212,546
Interest and other	1,489,513	41,377	318,243	1,849,133
Total revenues	44,825,649	3,391,278	9,356,100	57,573,027
Expenditures				
General government	9,828,384	-	-	9,828,384
Public safety	27,718,109	-	42,548	27,760,657
Highways, streets, and drains	-	2,248,496	2,266,998	4,515,494
Street lighting	-	-	992,628	992,628
Sanitation	4,876,884	-	-	4,876,884
Contracted services	-	-	452,033	452,033
Cultural and recreation	3,540,670	-	4,829,065	8,369,735
Debt service	34,270	-	1,969,332	2,003,602
Sundry	992,187	-	9,075	1,001,262
Capital outlay	-	-	17,681	17,681
Total expenditures	46,990,504	2,248,496	10,579,360	59,818,360
Excess of Revenues Over (Under) Expenditures	(2,164,855)	1,142,782	(1,223,260)	(2,245,333)
Other Financing Sources (Uses)				
Operating transfers in	278,681	-	1,547,571	1,826,252
Operating transfers out	(120,000)	(1,298,963)	(344,289)	(1,763,252)
Proceeds from long-term debt	61,239	-	-	61,239
Total other financing sources (uses)	219,920	(1,298,963)	1,203,282	124,239
Net Change in Fund Balances	(1,944,935)	(156,181)	(19,978)	(2,121,094)
Fund Balances - July 1, 2002	4,870,826	3,235,455	6,264,970	14,371,251
Fund Balances - June 30, 2003	<u>\$ 2,925,891</u>	<u>\$ 3,079,274</u>	<u>\$ 6,244,992</u>	<u>\$ 12,250,157</u>

City of Westland, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds \$ (2,121,094)

Amounts reported for governmental activities in the statement of activities are different because:

Assets donated to the City are not recorded as revenue in the governmental funds 1,473,864

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation (29,514,001)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (153,089)

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB #33) 32,621

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 1,552,214

Change in accrued interest on long-term debt is not recorded in the governmental funds 11,079

Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities (13,700)

Inventory is not expensed in the statement of activities (122,373)

Change in interest in joint ventures is an expenditure in the statement of activities 304,625

Internal Service Funds are also included as governmental activities (78,219)

Change in Net Assets of Governmental Activities \$ (28,628,073)

City of Westland, Michigan

Proprietary Funds Statement of Net Assets June 30, 2003

	Enterprise Fund - Water and Sewer	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,282,835	\$ 36,128
Receivables - Net	6,985,687	-
Due from other funds	275,026	783,998
Due from other governmental units	221,446	-
Inventories	355,665	25,966
Prepaid costs and other assets	-	94,026
Total current assets	12,120,659	940,118
Noncurrent Assets		
Restricted assets	1,564,565	-
Capital assets	74,434,079	3,227,660
Total noncurrent assets	75,998,644	3,227,660
Total assets	88,119,303	4,167,778
Liabilities		
Current liabilities:		
Accounts payable	1,919,481	42,704
Accrued and other liabilities	294,495	689,836
Due to other funds	408,676	-
Escrow deposits	396,149	-
Current portion of long-term debt	1,619,607	65,367
Total current liabilities	4,638,408	797,907
Long-term debt - Net of current portion	7,207,815	283,256
Total liabilities	11,846,223	1,081,163
Net Assets		
Investment in capital assets - Net of related debt	65,606,657	2,879,037
Restricted	1,564,565	-
Unrestricted	9,101,858	207,578
Total net assets	76,273,080	<u>\$ 3,086,615</u>
Amounts reported for business activities in the statement of net assets are different because a portion of Internal Service Funds is included as part of business activities	558,799	
Net Assets of Business-type Activities	<u>\$ 76,831,879</u>	

City of Westland, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2003

	Enterprise Fund - Water and Sewer	Internal Service Funds
Operating Revenues		
Water and sewer	\$ 15,563,621	\$ -
Charges for services	720,421	3,314,194
Federal sources	247,514	-
State sources	159,672	-
Penalties and other	650,087	-
Total operating revenues	17,341,315	3,314,194
Operating Expenses		
Cost of water	3,616,426	-
Cost of sewage disposal	5,337,193	-
Wages and fringe benefits	2,510,438	552,367
Contracted services	2,129,860	135,800
Operating supplies	322,731	240,957
Rentals	600,955	17,395
Repairs and maintenance	22,492	332,332
Insurance, claims, and other	-	1,765,974
Depreciation	1,236,931	863,179
Sundry	241,029	-
Total operating expenses	16,018,055	3,908,004
Operating Income (Loss)	1,323,260	(593,810)
Nonoperating Revenue (Expenses)		
Investment income	66,133	1,425
Interest expense	(469,316)	(2,690)
Loss on disposal of assets	(47)	(9,774)
Total nonoperating expenses	(403,230)	(11,039)
Income (Loss) - Before other financing uses and capital contributions	920,030	(604,849)
Other Financing Uses - Operating transfers out	(63,000)	-
Capital Contributions	1,689,598	487,188
Change in Net Assets	2,546,628	(117,661)
Net Assets - July 1, 2002	73,726,452	3,204,276
Net Assets - June 30, 2003	<u>\$ 76,273,080</u>	<u>\$ 3,086,615</u>
Reconciliation to Government-wide Statement of Activities		
Change in Net Assets - Enterprise - Water and Sewer Fund	\$ 2,546,628	
Internal Service Funds - Portion included with business-type activities	(39,440)	
Change in Net Assets - Business-type activities	<u>\$ 2,507,188</u>	

City of Westland, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2003

	Enterprise Fund - Water and Sewer	Internal Service Funds	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 16,838,531	\$ -	\$ 16,838,531
Payments to suppliers	(12,271,217)	(816,195)	(13,087,412)
Payments to employees	(2,518,559)	(555,113)	(3,073,672)
Internal activity - Payments from other funds	-	3,283,412	3,283,412
Claims paid	-	(1,744,037)	(1,744,037)
Other receipts	94,452	-	94,452
Net cash provided by operating activities	2,143,207	168,067	2,311,274
Cash Flows from Noncapital Financing Activities			
Operating transfers to other funds	(63,000)	-	(63,000)
Receipt of amounts owed from other funds	486,085	-	486,085
Net cash provided by noncapital financing activities	423,085	-	423,085
Cash Flows from Capital and Related Financing Activities			
Collection of customer assessments and fees	968,048	-	968,048
Principal and interest paid on long-term debt	(1,959,303)	(24,837)	(1,984,140)
Purchase of capital assets	(1,363,121)	(647,007)	(2,010,128)
Proceeds from sale of assets	-	46,300	46,300
Proceeds from long-term debt	-	325,169	325,169
Net cash used in capital and related financing activities	(2,354,376)	(300,375)	(2,654,751)
Cash Flows from Investing Activities - Interest received on investments and other assets	70,075	1,425	71,500
Net Increase (Decrease) in Cash and Cash Equivalents	281,991	(130,883)	151,108
Cash and Cash Equivalents - July 1, 2002	5,548,344	167,011	5,715,355
Cash and Cash Equivalents - June 30, 2003	<u>\$ 5,830,335</u>	<u>\$ 36,128</u>	<u>\$ 5,866,463</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and cash equivalents	\$ 4,282,835	\$ 36,128	\$ 4,318,963
Restricted assets (Note 6)	1,547,500	-	1,547,500
Total	<u>\$ 5,830,335</u>	<u>\$ 36,128</u>	<u>\$ 5,866,463</u>

City of Westland, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2003

	Enterprise Fund - Water and Sewer	Internal Service Funds	Total
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ 1,323,260	\$ (593,810)	\$ 729,450
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	1,236,931	863,179	2,100,110
Changes in assets and liabilities:			
Receivables	(95,598)	-	(95,598)
Due from other governmental units	(221,446)		(221,446)
Due from other funds	-	99,040	99,040
Inventory	(75,257)	(16,374)	(91,631)
Other assets	-	(93,438)	(93,438)
Accounts payable	(162,372)	(12,570)	(174,942)
Accrued and other liabilities	228,977	51,947	280,924
Due to other funds	(91,288)	(129,907)	(221,195)
Net cash provided by operating activities	<u>\$ 2,143,207</u>	<u>\$ 168,067</u>	<u>\$ 2,311,274</u>

Noncash Activities - Capital assets of \$790,672 were acquired through contributions from developers. The Water and Sewer Fund was allocated responsibility for additional capital lease payments of \$69,122 for the purchase of equipment from the General Fund. Federal grant revenue of \$221,446 was not received in the current year. Capital assets of \$487,188 were acquired by the Community Development Block Grant Fund and donated to the Motorpool Fund, an Internal Service Fund.

City of Westland, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2003

	Pension Trust Fund - Police and Fire Retirement	Agency Funds
Assets		
Cash and cash equivalents	\$ 42,944	\$ 3,585,071
Investments	102,947,879	-
Accrued interest and other assets	405,101	126
Total assets	103,395,924	3,585,197
Liabilities		
Accounts payable	-	6,339
Accrued and other liabilities	-	2,774,754
Due to component units	-	3,248
Due to other governmental units	-	800,856
Total liabilities	-	3,585,197
Net Assets - Held in trust for pension benefits and other purposes	<u>\$ 103,395,924</u>	<u>\$ -</u>

City of Westland, Michigan

Fiduciary Funds Statement of Changes in Plan Net Assets Year Ended June 30, 2003

	Pension Trust Fund - Police and Fire Retirement
Additions	
Investment income:	
Interest and dividends	\$ 3,021,842
Net increase in fair value of investments	<u>407,466</u>
Total investment income	3,429,308
Contributions:	
Employer:	
Pension	1,846,559
Medical insurance	1,463,041
Employee	<u>7,379</u>
Total contributions	3,316,979
Deductions	
Benefit payments	5,451,449
Medical premiums	1,463,041
Administrative expenses	<u>180,263</u>
Total deductions	<u>7,094,753</u>
Net Decrease	(348,466)
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	<u>103,744,390</u>
End of year	<u><u>\$ 103,395,924</u></u>

City of Westland, Michigan

Component Units Statement of Net Assets (Deficit) June 30, 2003

	Downtown Development Authority	Economic Development Corporation	Local Development Finance Authority	Tax Increment Finance Authorities		Total
				District 1	District 2	
Assets						
Cash and cash equivalents	\$ 976,214	\$ 4,838	\$ 305,647	\$ 113,227	\$ -	\$ 1,399,926
Investments	-	-	-	402,415	-	402,415
Due from the City of Westland	-	-	3,248	-	-	3,248
Accrued interest receivable	-	-	-	263,500	-	263,500
Capital assets	90,000	-	-	-	-	90,000
Total assets	1,066,214	4,838	308,895	779,142	-	2,159,089
Liabilities						
Accounts payable	39,063	-	-	-	-	39,063
Long-term debt - Current portion	-	-	65,000	-	-	65,000
Long-term debt	-	-	460,000	-	-	460,000
Total liabilities	39,063	-	525,000	-	-	564,063
Net Assets (Deficit)						
Investment in capital assets - Net of related debt	90,000	-	(525,000)	-	-	(435,000)
Unrestricted	937,151	4,838	308,895	779,142	-	2,030,026
Total net assets (deficit)	\$ 1,027,151	\$ 4,838	\$ (216,105)	\$ 779,142	\$ -	\$ 1,595,026

City of Westland, Michigan

	Expenses	Program Revenues	Downtown Development Authority
Governmental Activities			
Downtown Development Authority - Operations	\$ 355,536	\$ -	\$ (355,536)
Economic Development Corporation - Operations	25	-	-
Local Development Finance Authority - Operations	173,071	-	-
Tax Increment Finance Authority - District 1 Operations	444,741	-	-
Tax Increment Finance Authority - District 2 Operations	-	-	-
Total governmental activities	<u>\$ 973,373</u>	<u>\$ -</u>	(355,536)
General revenues:			
Property taxes			922,698
Property tax refunds			-
Interest and sundry			<u>2,816</u>
Total general revenues			<u>925,514</u>
Change in Net Assets (Deficit)			569,978
Net Assets (Deficit) - July 1, 2002			<u>457,173</u>
Net Assets (Deficit)- June 30, 2003			<u>\$ 1,027,151</u>

**Component Units
Statement of Activities
Year Ended June 30, 2003**

Net (Expense) Revenue and Changes in Net Assets (Deficit)

<u>Economic Development Corporation</u>	<u>Local Development Finance Authority</u>	<u>Tax Increment Finance Authority - District 1</u>	<u>Tax Increment Finance Authority - District 2</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ (355,536)
(25)	-	-	-	(25)
-	(173,071)	-	-	(173,071)
-	-	(444,741)	-	(444,741)
-	-	-	-	-
(25)	(173,071)	(444,741)	-	(973,373)
-	184,304	3,370,176	-	4,477,178
-	-	(4,150,000)	-	(4,150,000)
-	4,627	65,623	-	73,066
-	188,931	(714,201)	-	400,244
(25)	15,860	(1,158,942)	-	(573,129)
4,863	(231,965)	1,938,084	-	2,168,155
<u>\$ 4,838</u>	<u>\$ (216,105)</u>	<u>\$ 779,142</u>	<u>\$ -</u>	<u>\$ 1,595,026</u>

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Westland, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. For the year beginning July 1, 2002, the City has adopted GASB Statement No. 34. By adopting this Statement, the City has dramatically changed the information reported in these financial statements. The following is a summary of the significant accounting policies under this new financial model:

Reporting Entity

The City is governed by an elected mayor and an elected seven-member council. The accompanying financial statements present the City of Westland and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government and separate financial statements are not issued.

Discretely Presented Component Units

- a. The Local Development Finance Authority and the Tax Increment Finance Authorities, Districts 1 and 2, were created to promote economic growth and business development within the community. The Local Development Finance Authority governing body consists of 11 individuals. The mayor appoints seven of these individuals, and the other four individuals are made up of one member appointed by the County Board of Commissioners, one representative of the local community college, and two members appointed by the local school district. The Tax Increment Finance Authorities' governing bodies each consist of the same nine individuals. These individuals are all appointed by the mayor and confirmed by the City Council. In addition, each Authority's budget is subject to approval by the City Council.
- b. The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to residents of the City. The Corporation's governing body consists of nine individuals who are appointed by the mayor and confirmed by the City Council.

Note I - Summary of Significant Accounting Policies (Continued)

- c. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 11 individuals, is appointed by the mayor and confirmed by the City Council. In addition, the Authority's budget is subject to approval by the City Council.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, special assessments, State-shared revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Sales taxes collected and held by the State at year end on behalf of the City also are recognized as revenue. All other revenue items, such as fines and permits, are considered to be available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Road Fund - The Major Road Fund is used to account for the resource of state gas and weight tax revenues that are restricted for use on major roads.

Note I - Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary fund:

Enterprise Fund - Water and Sewer - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Additionally, the government reports the following fund types:

Internal Service Funds - The Internal Service Funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the government on a cost reimbursement basis.

Fiduciary Funds - The Police and Fire Retirement Pension Trust Fund accounts for the activities of the police and fire employees' retirement system, which accumulates resources for pension benefit payments to qualified police and fire employees. The Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts had been recorded as the City believes all receivables will be collected.

Property Taxes - Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are due on August 15, with the final collection date of February 28 before they are added to the delinquent county tax rolls.

The 2002 taxable valuation of the City totaled approximately \$1.833 billion, on which ad valorem taxes levied consisted of 6.6011 mills for the City's operating purposes, .9605 mills for operation of the library, 1.9031 mills for the Police and Fire pension fund, 2.4635 mills for sanitation, and .5285 mills for water and sewer debt service. The ad valorem taxes levied raised approximately \$12.1 million for City operations, approximately \$1.8 million for operation of the library, approximately \$3.5 million for the Police and Fire pension fund, approximately \$4.5 million for sanitation, and approximately \$1.0 million for water and sewer debt service. These amounts are recognized in the respective General Fund, Special Revenue Fund, and Enterprise Fund financial statements as taxes receivable or as tax revenue.

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the City's water and sewer lines.

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the estimated useful lives:

Roads and sidewalks	20-30 years
Buildings and improvements	20-40 years
Water and sewer distribution system	100 years
Tools and equipment	2-40 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Under the City's policy, employees earn sick and vacation time based on time of service with the City. All vacation and sick pay is accrued when incurred in the government-wide financial statements. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. The face amount of debt issued is reported as other financing sources.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and all Special Revenue Funds, except that reimbursements to the General Fund from other funds have been included in revenue, rather than a reduction of expenditures, transfers are included as revenue and expenditures, and proceeds of long-term debt are included as revenue.

The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. The General Fund budget, including the District Court, has been adopted on a departmental basis. The other funds' budgets have been adopted on an aggregate basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.

Unexpended appropriations lapse at year end. The amount of encumbrances outstanding at June 30, 2003 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

A comparison of the actual results of operations to the budgeted amounts (at the level of control adopted by the City Council) for the General Fund and Major Special Revenue Funds is presented as required supplementary information. Information comparing other Special Revenue Fund activity to the respective budgets can be obtained at City Hall.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual
General Fund - General government department	\$ 1,628,075	\$ 1,756,512
General Fund - Insurance and bonds department	1,454,000	1,606,318
General Fund - Police department	12,330,952	12,701,319

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The governing body has designated five banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, and such obligations, bonds, and securities as permitted by the statutes of the State of Michigan.

The City of Westland's deposits and investment policy are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and cash equivalents	\$ 9,859,567	\$ 4,289,376	\$ 3,585,071	\$ 17,734,014	\$ 1,399,926
Investments	660,170	-	-	660,170	402,415
Restricted assets	-	1,547,500	-	1,547,500	-
Total	<u>\$ 10,519,737</u>	<u>\$ 5,836,876</u>	<u>\$ 3,585,071</u>	<u>\$ 19,941,684</u>	<u>\$ 1,802,341</u>

The breakdown between deposits and investments for the City is as follows:

	Cash and Cash Equivalents	Investments	Restricted Assets (Note 6)	Total Primary Government	Component Units
Deposits	\$ 7,326,843	\$ -	\$ -	\$ 7,326,843	\$ -
Investments	11,108,851	-	1,547,500	12,656,351	1,802,341
Petty cash and cash on hand	1,434	-	-	1,434	-
Total	<u>\$ 18,437,128</u>	<u>\$ -</u>	<u>\$ 1,547,500</u>	<u>\$ 19,984,628</u>	<u>\$ 1,802,341</u>

Note 3 - Deposits and Investments (Continued)

Deposits

The bank balance of the primary government's deposits is \$9,503,472, of which \$700,000 is covered by federal depository insurance and the remainder was uninsured and uncollateralized. The component units' deposits had a bank balance of \$325,871, of which \$100,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

The City is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

The Pension Trust Fund is also authorized by Michigan Public Act 55 of 1982, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at June 30, 2003. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the City or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the City's name

Note 3 - Deposits and Investments (Continued)

At June 30, 2003, the City's investment balances were categorized as follows:

	Police and Fire Retirement System	Other Funds	Total	Component Units
Category 2 investments:				
U.S. government securities	\$ 18,432,538	\$ -	\$ 18,432,538	\$ 402,415
Corporate bonds	18,930,659	-	18,930,659	-
Common stock	<u>52,609,428</u>	<u>-</u>	<u>52,609,428</u>	<u>-</u>
Subtotal	89,972,625	-	89,972,625	402,415
Investments not subject to categorization:				
Bank investment pools	-	12,656,351	12,656,351	404,049
Mutual funds	<u>12,975,254</u>	<u>-</u>	<u>12,975,254</u>	<u>995,877</u>
Total primary government	<u>\$ 102,947,879</u>	<u>\$ 12,656,351</u>	<u>\$ 115,604,230</u>	<u>\$ 1,802,341</u>

Investments not subject to categorization are not evidenced by securities that exist in physical or book entry form. The bank investment pools and mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The mutual funds are registered with the SEC. The bank investment pools are regulated by the Michigan Banking Act. The fair value of the position in the bank investment pools is the same as the value of the pool shares.

Included in the City's investments at June 30, 2003 are the following:

- Approximately \$2,136,000 of securities issued by the Government National Mortgage Association (GNMA). These investments are backed by the full faith and credit of the U.S. government. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

Note 3 - Deposits and Investments (Continued)

- Approximately \$10,850,000 of collateralized mortgage obligations and securities issued by the Federal National Mortgage Association (FNMA). These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Asset-backed securities of approximately \$1,526,000. These securities are backed by credit card receivables. These obligations typically include credit enhancements in the form of overcollateralization, third-party letters of credit, seller recourse, insurance company guarantees, and/or senior subordinated structures. These securities are generally considered to offer modest credit risk, but such risk varies depending on the type of asset being securitized and the extent and nature of the credit enhancement. Prepayments for these “pay through” securities could result in difficulty reinvesting the prepaid amounts in investments with comparable yields.

Note 4 - Receivables

The City's receivables of governmental activities are as follows:

	General Fund	Major Road Funds	Nonmajor and Other Funds	Total
Receivables:				
Taxes	\$ 1,009,715	\$ -	\$ 228,385	\$ 1,238,100
Intergovernmental	3,279,244	578,128	713,443	4,570,815
Special assessments	3,996	-	317,896	321,892
Interest and other	29,841	986	205,580	236,407
Total receivables	<u>\$ 4,322,796</u>	<u>\$ 579,114</u>	<u>\$ 1,465,304</u>	<u>\$ 6,367,214</u>

The delinquent real property taxes of the City are purchased by the County of Wayne. Subsequent to year end, the county issued tax notes, the proceeds of which were used to pay the City for these property taxes. These taxes have been recorded as revenue for the current year.

The City considers all receivables to be collectible and has not recorded an allowance for doubtful accounts.

Note 4 - Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue include unearned grant payments received prior to meeting all eligibility requirements and special assessments receivable that will be collected over several years totaling \$180,191 and \$272,909, respectively.

Note 5 - Capital Assets

Capital asset activity of the primary government's governmental and business-type activities was as follows:

	Balance July 1, 2002	Additions	Disposals and Adjustments	Balance June 30, 2003	Depreciable Life - Years
Governmental Activities					
Capital assets not being depreciated - Land	\$ 2,239,270	\$ -	\$ -	\$ 2,239,270	-
Capital assets being depreciated:					
Roads and sidewalks	745,839,934	2,593,285	9,910	748,423,309	20-30
Buildings and improvements	17,311,991	78,820	-	17,390,811	20-40
Other tools and equipment	15,406,920	1,832,710	-	17,239,630	3-40
Subtotal	778,558,845	4,504,815	9,910	783,053,750	
Accumulated depreciation:					
Roads and sidewalks	329,949,665	30,196,980	9,910	360,136,735	
Buildings and improvements	2,264,666	384,587	-	2,649,253	
Other tools and equipment	7,265,045	1,586,008	-	8,851,053	
Subtotal	339,479,376	32,167,575	9,910	371,637,041	
Net capital assets being depreciated	439,079,469	(27,662,760)	-	411,416,709	
Net capital assets	<u>\$ 441,318,739</u>	<u>\$ (27,662,760)</u>	<u>\$ -</u>	<u>\$ 413,655,979</u>	
Business-type Activities					
Capital assets being depreciated:					
Water and sewer distribution systems	\$ 93,442,525	\$ 2,153,792	\$ 24,951	\$ 95,571,366	100
Other tools and equipment	1,785,582	194,493	-	1,980,075	2-20
Subtotal	95,228,107	2,348,285	24,951	97,551,441	
Accumulated depreciation:					
Water and sewer distribution systems	19,925,260	1,236,931	24,906	21,137,285	
Other tools and equipment	1,223,107	172,636	-	1,395,743	
Subtotal	21,148,367	1,409,567	24,906	22,533,028	
Net capital assets	<u>\$ 74,079,740</u>	<u>\$ 938,718</u>	<u>\$ 45</u>	<u>\$ 75,018,413</u>	

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 712,307
Public safety	438,978
Public works	30,223,980
Recreation and culture	101,767
Internal Service Fund depreciation is charged to the various function based on their usage of the asset	<u>690,543</u>

Total governmental activities \$ 32,167,575

Business-type activities:

Enterprise Fund - Water and Sewer	\$ 1,236,931
Internal Service Fund depreciation is charged to the various function based on their usage of the asset	<u>172,636</u>

Total business-type activities \$ 1,409,567

Note 6 - Restricted Assets

Restricted assets at June 30, 2003 consist of the following:

Investments	\$ 1,547,500
Assets held at Wayne County for water and sewer line construction	<u>17,065</u>
Total restricted assets	<u>\$ 1,564,565</u>

These assets are restricted for the following purposes:

Bond reserve for 1995 Water and Sewer Revenue Bonds	\$ 575,000
Construction of North Huron Valley/Rouge Valley Sewer System	17,065
Bond reserve for 1996 Water and Sewer Revenue Bonds	575,000
Bond reserve for 1998 Water and Sewer Revenue Bonds	<u>397,500</u>
Total restricted assets	<u>\$ 1,564,565</u>

Note 7 - Interfund Balances and Operating Transfers

The composition of interfund receivables and payables balances is as follows:

General Fund:

Community Development Block Grant Fund	\$ 290,856
Federal Task Force	152
Major Road Fund	439,538
Local Road Fund	284,311
Cable TV Fund	1,901
Street Lighting Fund	<u>116,816</u>

Total General Fund 1,133,574

Special Revenue Funds:

Local Road Fund - Major Road Fund	5,953
E-911 Fund - 800 MHZ Fund	102,394
Library Fund - General Fund	233,136
Street Lighting Fund - General Fund	<u>49,801</u>

Total Special Revenue Funds 391,284

Debt Service Funds:

Tower Debt Fund:	
General Fund	113,023
E-911 Fund	430,012
County Drain Debt Fund - General Fund	<u>401,046</u>

Total Debt Service Funds 944,081

Capital Projects Funds:

Tower Fund:	
E-911 Fund	3,226
Tower Debt Fund	83,465
Drain Problem Fund - Water and Sewer Fund	<u>63,000</u>

Total Capital Projects Funds 149,691

Enterprise Fund - Water and Sewer Fund - General Fund 275,026

Note 7 - Interfund Balances and Operating Transfers (Continued)

Internal Service Funds:

Motor Pool Fund - General Fund	\$ 32,267
Self-insurance Workers' Compensation Fund:	
General Fund	231,610
Water and Sewer Fund	22,502
Self-insurance General Liability Fund:	
General Fund	174,445
Water and Sewer Fund	323,174
Total Internal Service Funds	<u>783,998</u>

Total interfund receivables \$ 3,677,654

The composition of operating transfers is as follows:

Operating Transfer Out	Operating Transfer In	Amount
General Fund	Street Lighting Fund	\$ 120,000
Special Revenue Funds:		
Major Road Fund	Local Road Fund (1)	836,863
Major Road Fund	Motor Vehicle Highway Debt - Newburgh (2)	462,100
	Total	<u>1,298,963</u>
E-911 Fund	General Fund	75,000
E-911 Fund	800 MHZ Fund	65,608
	Total	<u>140,608</u>
Cable TV Fund	General Fund	127,729
Drug Forfeiture Fund	General Fund	51,100
Task Force Airport	General Fund	24,852
Total Special Revenue Funds		<u>1,643,252</u>
Enterprise - Water and Sewer Fund	Drain Problem Fund	<u>63,000</u>
Total operating transfers		<u>\$ 1,826,252</u>

- (1) The transfer from Major Road Fund to Local Road Fund is to distribute monies received by Major Road Fund from the Michigan Department of Transportation.
- (2) The transfer from Major Road Fund to Motor Vehicle Highway Debt - Newburgh is to support the debt service of the 1997 and 1998 Michigan Transportation Fund Bonds.

City of Westland, Michigan

Notes to Financial Statements June 30, 2003

Note 8 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

Governmental Activities	July 1, 2002	Additions	Reductions	June 30, 2003	Due Within One Year
General Obligation Bonds:					
1997 Michigan Transportation Fund Bonds	\$ 2,100,000	\$ -	\$ (150,000)	\$ 1,950,000	\$ 150,000
1998 Michigan Transportation Fund Bonds	2,700,000	-	(100,000)	2,600,000	150,000
1998 Building Authority Bonds	2,350,000	-	(50,000)	2,300,000	75,000
1999 Building Authority Bonds	2,525,000	-	(75,000)	2,450,000	75,000
County drain contracts	4,074,860	-	(614,699)	3,460,161	698,972
HUD Section 108 loans	795,000	-	(155,000)	640,000	100,000
Compensated absences	6,811,611	13,699	-	6,825,310	2,166,212
Installment purchase agreements:					
Police communications equipment	625,403	184,293	(374,877)	434,819	224,297
Other equipment	86,537	266,577	(50,793)	302,321	112,255
Total governmental activities	<u>\$ 22,068,411</u>	<u>\$ 464,569</u>	<u>\$ (1,570,369)</u>	<u>\$ 20,962,611</u>	<u>\$ 3,751,736</u>
Business-type Activities					
Revenue bonds:					
1995 Water and Sewer Revenue Bonds	\$ 2,750,000	\$ -	\$ (850,000)	\$ 1,900,000	\$ 900,000
1996 Water and Sewer Revenue Bonds	4,150,000	-	(500,000)	3,650,000	500,000
1998 Water and Sewer Revenue Bonds	3,025,000	-	(50,000)	2,975,000	50,000
Wayne County Bonds	50,000	-	(50,000)	-	-
Compensated absences	158,753	10,854	-	169,607	169,607
Installment purchase agreements - Other equipment	112,194	127,713	(43,977)	195,930	11,834
Total business-type activities	<u>\$ 10,245,947</u>	<u>\$ 138,567</u>	<u>\$ (1,493,977)</u>	<u>\$ 8,890,537</u>	<u>\$ 1,631,441</u>

Note: The change in compensated absences is the net change to the liability during the year ended June 30, 2003.

Note 8 - Long-term Debt (Continued)

Other information concerning long-term debt obligations is as follows:

	Original Principal	Outstanding Debt June 30, 2003	Final Payment Debt	Maturity Payment Ranges	Interest Rates
Governmental Activities					
General Obligation Bonds:					
1997 Michigan Transportation Fund Bonds	\$ 2,500,000	\$ 1,950,000	12/01/2011	\$150,000-\$250,000	4.000%-6.400%
1998 Michigan Transportation Fund Bonds	2,900,000	2,600,000	12/01/2013	\$150,000-\$400,000	4.250%-4.500%
1998 Building Authority Bonds	2,500,000	2,300,000	04/01/2019	\$75,000-\$250,000	4.500%-6.500%
1999 Building Authority Bonds	2,600,000	2,450,000	11/01/2019	\$75,000 - \$250,000	5.000%-6.000%
County drain contracts	8,789,204	3,460,161	05/01/2008	\$4,957-\$694,015	5.500%-5.700%
Other debt	2,826,374	1,377,140	04/08/2010	\$10,716-\$110,000	3.410%-6.490%
Total governmental activities	<u>\$ 22,115,578</u>	<u>\$ 14,137,301</u>			
Business-type Activities					
Revenue Bonds:					
1995 Water and Sewer Revenue Bonds	\$ 7,100,000	\$ 1,900,000	04/01/2005	\$900,000-\$1,000,000	4.800%-4.875%
1996 Water and Sewer Revenue Bonds	6,000,000	3,650,000	04/01/2009	\$500,000-\$750,000	4.600%-5.000%
1998 Water and Sewer Revenue Bonds	3,225,000	2,975,000	04/01/2018	\$50,000-\$250,000	4.400%-6.400%
Other debt	308,912	195,930	04/08/2010	\$8,383-\$48,858	3.410%-6.158%
Total business-type activities	<u>\$ 16,633,912</u>	<u>\$ 8,720,930</u>			

Annual debt service requirements to maturity for the City's long-term obligations, except compensated absences, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 1,585,524	\$ 696,810	\$ 2,282,334	\$ 1,461,834	\$ 416,523	\$ 1,878,357
2005	1,410,884	624,876	2,035,760	1,667,472	343,105	2,010,577
2006	1,432,859	546,392	1,979,251	1,016,624	255,304	1,271,928
2007	1,440,376	468,061	1,908,437	800,000	214,725	1,014,725
2008	1,351,842	389,547	1,741,389	900,000	176,525	1,076,525
2009	769,563	312,610	1,082,173	950,000	132,725	1,082,725
2010	871,253	273,718	1,144,971	200,000	86,425	286,425
2011	750,000	235,794	985,794	200,000	77,625	277,625
2012	825,000	201,850	1,026,850	200,000	68,625	268,625
2013	700,000	167,475	867,475	200,000	59,625	259,625
2014	700,000	134,925	834,925	200,000	50,625	250,625
2015	375,000	110,638	485,638	200,000	41,625	241,625
2016	375,000	92,275	467,275	225,000	32,625	257,625
2017	400,000	73,150	473,150	250,000	22,500	272,500
2018	400,000	53,250	453,250	250,000	11,250	261,250
2019	500,000	31,875	531,875	-	-	-
2020	250,000	6,875	256,875	-	-	-
Totals	<u>\$ 14,137,301</u>	<u>\$ 4,420,121</u>	<u>\$ 18,557,422</u>	<u>\$ 8,720,930</u>	<u>\$ 1,989,832</u>	<u>\$ 10,710,762</u>

Total interest incurred related to governmental activities for the year approximated \$763,000. Total interest incurred related to business-type activities for the year approximated \$487,000.

Note 8 - Long-term Debt (Continued)

Component Units

During the year, the Local Development Finance Authority issued \$525,000 in general obligation limited tax bonds with interest rates ranging from 1.50 percent to 3.8 percent. The proceeds of these bonds were used to advance refund \$525,000 of outstanding general obligation bonds with interest rates ranging from 6.70 percent to 7.15 percent. The advance refunding reduced total debt service payments over the next seven years by approximately \$41,300, which represents an economic gain of approximately \$38,400.

The annual requirements to service the Local Development Finance Authority debt outstanding as of June 30, 2003, including principal and interest, are as follows:

<u>Years Ending</u> <u>June 30</u>	<u>Amount</u>
2004	\$ 72,068
2005	71,580
2006	90,995
2007	85,039
2008	83,959
Remaining years	<u>154,144</u>
Total	<u>\$ 557,785</u>

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical claims, and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, and errors and omissions; the City is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past four fiscal years.

Note 9 - Risk Management (Continued)

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the General Liability Self-insurance Internal Service Fund. Changes in the estimated liability for the past fiscal year were as follows:

Estimated liability - July 1, 2002	\$ 401,519
Estimated claims incurred, including changes in estimates	1,278,983
Claim payments	<u>(1,278,983)</u>
Estimated liability - June 30, 2003	<u>\$ 401,519</u>

The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Workers' Compensation Self-insurance Internal Service Fund. Changes in the estimated liability for the past fiscal year were as follows:

Estimated liability - July 1, 2002	\$ 199,419
Estimated claims incurred, including changes in estimates	418,309
Claim payments	<u>(363,616)</u>
Estimated liability - June 30, 2003	<u>\$ 254,112</u>

Note 10 - Defined Benefit Pension Plans

Police and Fire Retirement System

Plan Description - The Police and Fire Pension Plan is a single-employer defined benefit pension plan that is administered by the City of Westland Police and Fire Employees' Retirement System; this plan covers all police and fire employees of the City. The system provides retirement, health care, disability, and death benefits to plan members and their beneficiaries. At June 30, 2002, the date of the most recent actuarial valuation, membership consisted of 142 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 178 current active employees. The plan does not issue a separate financial report.

Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Pension Costs - For the year ended June 30, 2003, the City's annual pension cost of \$1,846,559 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2002, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7.50 percent investment rate of return, (b) projected salary increases of 5.00 percent per year to 9.00 percent per year, depending on age, attributable to seniority/merit, and (c) a one-time adjustment of 5.00 percent after six years of retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 10 years.

Note 10 - Defined Benefit Pension Plans (Continued)

Reserves - As of June 30, 2003, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 1,676,653
Reserve for retired benefit payments	55,199,248

Three-year Trend Information

	Fiscal Year Ended June 30		
	2001	2002	2003
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 1,988,901	\$ 1,782,366	\$ 1,846,559
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Michigan Municipal Employees' Retirement System

Plan Description - The City participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City other than police and fire employees. The MMERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing, MI 48197.

Funding Policy - The obligation to contribute to and maintain the MMERS for these employees was established by negotiation with the City's competitive bargaining units and requires no contribution from the employees.

Note 10 - Defined Benefit Pension Plans (Continued)

Annual Pension Costs - For the year ended June 30, 2003, the City's annual pension cost of \$2,977,737 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age cost method. Significant actuarial assumptions used include: (a) an 8.00 percent investment rate of return; (b) projected salary increases of 4.50 percent per year to 8.66 percent per year, attributable to seniority/merit, and (c) postretirement benefit increases of 2.50 percent annually. Both (a) and (b) include an inflationary component of 4.50 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2001	2002	2003
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 2,821,432	\$ 2,861,783	\$ 2,977,737
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2000	2001	2002
Actuarial value of assets	\$ 38,911,192	\$ 41,894,603	\$ 42,681,160
Actuarial accrued liability (AAL) (entry)	\$ 62,181,883	\$ 67,725,433	\$ 72,706,810
Unfunded AAL (UAAL)	\$ 23,270,691	\$ 25,830,830	\$ 30,025,650
Funded ratio	62.60%	61.90%	58.70%
Covered payroll	\$ 9,599,799	\$ 9,139,894	\$ 9,880,279

Note 11 - Joint Ventures

The City participates in the Nankin Transit Commission and the Central Wayne County Sanitation Authority with the communities indicated below. The City appoints two members to the Nankin Transit Commission's governing board and one member to the Central Wayne County Sanitation Authority's board, who then approve the annual budget. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future, other than the letter of credit discussed in Note 12. Complete financial statements for the Nankin Transit Commission and the Central Wayne County Sanitation Authority can be obtained from their administrative offices at William J. Engle Memorial Building, 37137 Marquette St., Westland, MI 48185 and 4901 Inkster Road, Dearborn Heights, MI 48125, respectively.

	Nankin Transit Commission	Central Wayne County Sanitation Authority
Participating communities	City of Garden City City of Inkster City of Wayne City of Westland	City of Dearborn Heights City of Garden City City of Inkster City of Wayne City of Westland

Note 12 - Contingent Liabilities

Letter of Credit - The City participates in a joint venture, the Central Wayne County Sanitation Authority, through which the City has obligated its full faith and credit under an irrevocable letter of credit. The letter of credit totals \$1,365,000, of which the City's portion would be \$505,000 should the Authority default on this letter of credit. See Note 11 for financial information on Central Wayne County Sanitation Authority.

Environmental Cleanup - The City may have financial exposure in actions to clean up sites of environmental contamination. These sites are not currently owned or controlled by the City. Evaluation of the required cleanup and associated costs is in the process of being determined by the current property owners. The monetary exposure to the City cannot presently be determined but could be significant.

Note 13 - Restricted Net Assets

Fund balances of governmental funds have been reserved for the following purposes:

Restricted for	Total Governmental Activities	Total Business-type Activities
Police and Fire Retirement System	\$ 1,364,000	\$ -
Future sanitation expenditures	1,007,000	-
Road improvements	4,494,226	-
Street lighting	355,128	-
Library operations	1,584,675	-
Public safety	20,172	-
County drain debt service	522,680	-
Restricted Cable Commission projects	108,654	-
Sewer system construction	-	17,065
Revenue bonds	-	1,547,500
Total	<u>\$ 9,456,535</u>	<u>\$ 1,564,565</u>

General Fund fund balance has also been reserved for the Police and Fire Retirement System and future sanitation expenditure amounts noted above.

Note 14 - Postemployment Benefits

The City provides postemployment health benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 295 retirees are eligible for postemployment health benefits. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$2,585,000. Of this amount, approximately \$1,301,000 and \$1,284,000 was paid by the Police and Fire Retirement System Fund and the General Fund, respectively.

Note 15 - Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Building permit revenue	\$ 978,902
Direct costs	<u>(1,124,431)</u>
Shortfall	(145,529)
Cumulative shortfall - July 1, 2002	<u>(1,013,227)</u>
Cumulative shortfall - June 30, 2003	<u><u>\$ (1,158,756)</u></u>

Note 16 - Commitments

The City has entered into several construction and maintenance contracts totaling approximately \$1,218,000. As of June 30, 2003, the City has not recorded expenditures relating to these projects, as the work has not yet been performed.

Note 17 - Subsequent Events

In September 2003, the City refinanced the 1996 Water and Sewer Revenue Bonds. The outstanding balance of \$3,650,000 was paid off at that time. The new bonds, known as the 2003 Water and Sewer Revenue Refunding Bonds, have an outstanding balance of \$3,025,000 and are payable through 2009 with interest rates ranging from 2.0 percent to 3.0 percent.

Required Supplemental Information

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2003

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Fund Balance - July 1, 2003	\$ 4,870,826	\$ 4,870,826	\$ 4,870,826	\$ -
Revenues				
Property taxes	19,425,246	19,425,246	19,181,648	(243,598)
Licenses and permits	1,089,897	1,089,897	1,181,424	91,527
Federal sources	-	142,520	277,636	135,116
State sources	10,580,627	11,049,537	10,091,179	(958,358)
Local sources	514,007	514,008	514,008	-
Charges for services	6,369,091	6,327,590	6,584,598	257,008
Court fines and fees	3,703,048	3,725,548	3,557,639	(167,909)
Refund of captured property taxes	1,815,600	1,702,000	1,948,004	246,004
Interest and other	5,541,431	5,581,543	4,331,849	(1,249,694)
Proceeds from long-term debt	-	-	61,239	61,239
Transfer from other funds	25,000	349,000	278,681	(70,319)
Amounts available for appropriation	49,063,947	49,906,889	48,007,905	(1,898,984)
Appropriations				
General government	10,217,875	10,417,875	9,828,384	589,491
Public safety	27,905,015	28,109,758	27,718,109	391,649
Highways, streets, and drains	3,054,056	3,218,056	2,842,336	375,720
Sanitation	5,253,290	5,253,290	4,876,884	376,406
Cultural and recreation	3,409,630	3,829,652	3,540,670	288,982
Debt service	34,294	34,294	34,270	24
Sundry - Contribution to Motorpool	1,033,339	1,042,339	992,187	50,152
Transfers to other funds	120,000	120,000	120,000	-
Total charges to appropriations	51,027,499	52,025,264	49,952,840	2,072,424
Fund Balance - June 30, 2003	\$ 2,907,274	\$ 2,752,451	\$ 2,925,891	\$ 173,440

Note: The General Fund expenditures are budgeted by department. See pages 53 to 56 for that detail.

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Road Fund Year Ended June 30, 2003

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Fund Balance - July 1, 2002	\$ 3,235,455	\$ 3,235,455	\$ 3,235,455	\$ -
Sources				
Federal sources	-	-	2,448	2,448
State sources	3,700,000	3,700,000	3,347,453	(352,547)
Interest income	100,000	100,000	41,377	(58,623)
Amounts available for appropriation	7,035,455	7,035,455	6,626,733	(408,722)
Uses				
Maintenance	426,520	475,520	624,409	(148,889)
Traffic	100,000	100,000	50,497	49,503
Snow removal	270,000	270,000	229,887	40,113
Administration	171,000	171,000	334,745	(163,745)
Construction	700,000	1,920,500	996,558	923,942
Professional sources	-	-	12,400	(12,400)
Transfers to other funds	1,391,000	1,391,000	1,298,963	92,037
Total charges to appropriations	3,058,520	4,328,020	3,547,459	780,561
Fund Balance - June 30, 2003	\$ 3,976,935	\$ 2,707,435	\$ 3,079,274	\$ 371,839

City of Westland, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress June 30, 2003

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Overfunded/ Underfunded AAL (UAAL) (a-b)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
Michigan Municipal Employees' Retirement System						
06/30/1999	\$ 35,271,168	\$ 55,867,197	\$ (20,596,029)	63	\$ 8,997,342	229
06/30/2000	38,911,192	62,181,883	(23,270,691)	63	9,599,799	242
06/30/2001	41,894,603	67,725,433	(25,830,830)	62	9,139,894	283
06/30/2002	42,681,160	72,706,810	(30,025,650)	59	9,880,279	304
Police and Fire Retirement System						
06/30/1999	113,523,771	89,649,604	23,874,167	127	10,073,796	237
06/30/2000	125,162,508	95,897,285	29,265,223	131	10,295,723	284
06/30/2001	132,246,659	101,112,593	31,134,066	131	10,800,783	288
06/30/2002	124,493,268	110,362,189	14,131,079	113	11,947,513	118

The schedule of employer contributions are as follows:

Michigan Municipal Employees' Retirement System			
Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
06/30/00	12/31/99	\$ 2,730,122	100
06/30/01	12/31/00	2,821,432	100
06/30/02	12/31/01	2,861,783	100
06/30/03	12/31/02	2,977,737	100
Police and Fire Retirement System			
Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
06/30/00	12/31/99	\$ 1,988,185	100
06/30/01	12/31/00	1,988,901	100
06/30/02	12/31/01	1,782,366	100
06/30/03	12/31/02	1,846,559	100

* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated.

City of Westland, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress (Continued) June 30, 2003

Additional information as of December 31, 2002, the latest actuarial valuation, follows:

Michigan Municipal Employees' Retirement System

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period (perpetual)	30 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	4.5%-8.66%
*Includes inflation at	4.5%
Cost of living adjustments	2.5%

Police and Fire Retirement System

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period (perpetual)	10 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	5.0%-9.0%
*Includes inflation at	5.0%
Cost of living adjustments	One-time adjustment of 5% after six years of retirement

Other Supplemental Information

City of Westland, Michigan

	Personnel Services		Supplies	
	Budget	Actual	Budget	Actual
General Government				
Legislative	\$ 111,822	\$ 92,654	\$ 2,632	\$ 1,599
City Clerk	442,137	377,610	3,983	3,887
Executive	474,241	445,603	10,775	8,390
Elections	152,574	116,745	25,679	24,932
Assessment	527,758	442,638	3,600	2,966
General - Law	-	-	-	-
General - Civil service	3,362	2,660	975	33
Police and fire civil service	4,025	2,659	155	100
Finance	1,293,541	1,243,377	48,500	33,032
Board of Review	6,821	2,160	96	12
City Hall and grounds	113,230	88,612	25,800	18,350
General government	1,425,150	1,568,414	71,500	70,450
Engineering	287,277	287,047	2,300	2,229
General maintenance	85,547	71,714	1,749	752
Planning	263,951	206,750	3,450	2,700
Planning Commission	9,100	5,460	250	67
Zoning Board of Appeals	8,113	6,075	119	50
Economic Development	296,810	296,584	1,000	503
Economic Development Corporation	-	-	285	200
Community development programs	364,007	356,363	11,000	9,973
Housing Development	283,087	277,281	-	-
Insurance and bonds	55,000	53,057	-	-
Personnel	317,149	290,669	4,890	1,963
Total general government	6,524,702	6,234,132	218,738	182,188
Public Safety				
District Court	2,709,197	2,708,775	75,100	71,871
Police	10,872,216	11,144,124	114,200	113,648
Fire	8,517,627	8,171,221	329,530	329,356
Police and Fire Retirement Board	-	-	-	-
Joint Dispatch	1,284,019	1,136,937	-	-
Building	1,083,751	1,047,957	15,050	14,516
Electrical Board	-	-	-	-
Total public safety	24,466,810	24,209,014	533,880	529,391
Highways and Streets	1,944,257	1,829,565	363,049	323,774

* The "totals" column represents the budget as adopted on a departmental basis. The additional detail presented here is for information purposes only.

Other Supplemental Information
Schedule of Expenditures - Budget and Actual
General Fund
June 30, 2003

Services and Charges		Capital Outlay		Debt Service		Totals*	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ 41,300	\$ 30,334	\$ -	\$ -	\$ -	\$ -	\$ 155,754	\$ 124,587
10,950	10,419	-	-	-	-	457,070	391,916
6,500	4,261	-	-	-	-	491,516	458,254
92,339	83,480	-	-	-	-	270,592	225,157
5,597	3,622	-	-	-	-	536,955	449,226
550,000	549,953	-	-	-	-	550,000	549,953
4,325	3,610	-	-	-	-	8,662	6,303
6,900	6,493	-	-	-	-	11,080	9,252
201,300	178,858	-	-	-	-	1,543,341	1,455,267
-	-	-	-	-	-	6,917	2,172
186,600	180,182	-	-	-	-	325,630	287,144
131,425	117,648	-	-	-	-	1,628,075	1,756,512
323,531	323,469	-	-	-	-	613,108	612,745
592,200	259,036	-	-	-	-	679,496	331,502
5,477	4,290	-	-	-	-	272,878	213,740
-	-	-	-	-	-	9,350	5,527
450	171	-	-	-	-	8,682	6,296
48,525	48,225	-	-	-	-	346,335	345,312
-	-	-	-	-	-	285	200
52,600	46,568	-	-	-	-	427,607	412,904
-	-	-	-	-	-	283,087	277,281
1,399,000	1,553,261	-	-	-	-	1,454,000	1,606,318
15,416	8,184	-	-	-	-	337,455	300,816
3,674,435	3,412,064	-	-	-	-	10,417,875	9,828,384
670,200	663,331	-	-	-	-	3,454,497	3,443,977
1,312,036	1,267,099	32,500	176,448	-	-	12,330,952	12,701,319
327,370	326,871	22,710	22,465	-	-	9,197,237	8,849,913
669,600	460,337	-	-	-	-	669,600	460,337
11,247	1,195	-	-	-	-	1,295,266	1,138,132
63,405	61,958	-	-	-	-	1,162,206	1,124,431
-	-	-	-	-	-	-	-
3,053,858	2,780,791	55,210	198,913	-	-	28,109,758	27,718,109
840,750	638,998	-	-	70,000	49,999	3,218,056	2,842,336

City of Westland, Michigan

	Personnel Services		Supplies	
	Budget	Actual	Budget	Actual
Street Lighting - Operating transfer	\$ -	\$ -	\$ -	\$ -
Sanitation	227,404	181,226	22,500	13,928
Cultural and Recreation				
Youth Assistance	-	-	2,030	2,024
Senior Resource Department	370,423	317,213	11,500	10,641
Parks and recreation	1,094,900	1,037,252	122,340	121,706
Golf course	-	-	66,250	65,132
Parks and Recreation Advisory Council	5,040	3,600	-	-
Historical Committee	5,940	3,060	1,050	415
Therapeutic program	168,414	130,846	28,245	20,489
Ice arena	-	-	44,133	41,913
Comission on Aging	7,920	6,480	-	-
Total cultural and recreation	1,652,637	1,498,451	275,548	262,320
Debt Service	-	-	-	-
Sundry - Motorpool contribution	1,042,339	992,187	-	-
Total expenditures and other operating transfers	<u>\$ 35,858,149</u>	<u>\$ 34,944,575</u>	<u>\$ 1,413,715</u>	<u>\$ 1,311,601</u>

* The "totals" column represents the budget as adopted on a departmental basis. The additional detail presented here is for information purposes only.

Other Supplemental Information
Schedule of Expenditures - Budget and Actual (Continued)
General Fund
June 30, 2003

Services and Charges		Capital Outlay		Debt Service		Totals*	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ 120,000	\$ 120,000	\$ -	\$ -	\$ -	\$ -	\$ 120,000	\$ 120,000
5,003,386	4,681,730	-	-	-	-	5,253,290	4,876,884
226,276	203,368	-	-	-	-	228,306	205,392
113,242	93,774	-	-	-	-	495,165	421,628
270,051	264,751	420,022	368,202	-	-	1,907,313	1,791,911
396,807	396,031	-	-	-	-	463,057	461,163
-	-	-	-	-	-	5,040	3,600
10,200	9,557	2,000	2,000	-	-	19,190	15,032
5,250	5,237	-	-	-	-	201,909	156,572
445,169	435,549	12,450	1,430	-	-	501,752	478,892
-	-	-	-	-	-	7,920	6,480
1,466,995	1,408,267	434,472	371,632	-	-	3,829,652	3,540,670
-	-	-	-	34,294	34,270	34,294	34,270
-	-	-	-	-	-	1,042,339	992,187
\$ 14,159,424	\$ 13,041,850	\$ 489,682	\$ 570,545	\$ 104,294	\$ 84,269	\$ 52,025,264	\$ 49,952,840

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2003

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,709,741	\$ 55,855	\$ 83,910	\$ 4,849,506
Investments	403,259	-	-	403,259
Receivables - Net	686,082	65,779	-	751,861
Prepaid and other assets	18,903	-	-	18,903
Due from other funds	391,284	944,081	149,691	1,485,056
Due from other governmental units	713,443	-	-	713,443
Total assets	<u>\$ 6,922,712</u>	<u>\$ 1,065,715</u>	<u>\$ 233,601</u>	<u>\$ 8,222,028</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 110,803	\$ -	\$ -	\$ 110,803
Due to other funds	1,229,668	83,465	-	1,313,133
Escrow deposits	100,000	-	-	100,000
Deferred revenue	453,100	-	-	453,100
Total liabilities	1,893,571	83,465	-	1,977,036
Fund Balances				
Reserved	127,557	-	-	127,557
Unreserved:				
Designated	-	-	233,601	233,601
Undesignated	4,901,584	982,250	-	5,883,834
Total fund balances	<u>5,029,141</u>	<u>982,250</u>	<u>233,601</u>	<u>6,244,992</u>
Total liabilities and fund balances	<u>\$ 6,922,712</u>	<u>\$ 1,065,715</u>	<u>\$ 233,601</u>	<u>\$ 8,222,028</u>

City of Westland, Michigan

Other Supplemental Information

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2003

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Revenues				
Property taxes	\$ 1,582,100	\$ 870,247	\$ -	\$ 2,452,347
Federal sources	1,920,022	-	-	1,920,022
State sources	1,281,553	-	-	1,281,553
Local sources	950,716	26,056	-	976,772
Charges for services	951,129	209,400	-	1,160,529
Special assessments	982,092	-	-	982,092
Refund of captured property taxes	170,960	93,582	-	264,542
Interest and other	312,829	3,335	2,079	318,243
	<u>8,151,401</u>	<u>1,202,620</u>	<u>2,079</u>	<u>9,356,100</u>
Total revenues				
Expenditures				
Public safety	40,248	-	2,300	42,548
Highways, streets, and drains	2,208,117	-	58,881	2,266,998
Street lighting	992,628	-	-	992,628
Cultural and recreation	4,829,065	-	-	4,829,065
Contracted services	452,033	-	-	452,033
Debt service	269,038	1,700,294	-	1,969,332
Sundry	6,849	-	2,226	9,075
Capital outlay	15,681	-	2,000	17,681
	<u>8,813,659</u>	<u>1,700,294</u>	<u>65,407</u>	<u>10,579,360</u>
Total expenditures				
Excess of Expenditures Over Revenues	(662,258)	(497,674)	(63,328)	(1,223,260)
Other Financing Sources (Uses)				
Operating transfers in	1,022,471	462,100	63,000	1,547,571
Operating transfers out	(344,289)	-	-	(344,289)
	<u>678,182</u>	<u>462,100</u>	<u>63,000</u>	<u>1,203,282</u>
Total other financing sources (uses)				
Net Change in Fund Balances	15,924	(35,574)	(328)	(19,978)
Fund Balances - July 1, 2002	<u>5,013,217</u>	<u>1,017,824</u>	<u>233,929</u>	<u>6,264,970</u>
Fund Balances - June 30, 2003	<u><u>\$ 5,029,141</u></u>	<u><u>\$ 982,250</u></u>	<u><u>\$ 233,601</u></u>	<u><u>\$ 6,244,992</u></u>

City of Westland, Michigan

	Local Roads	Community Development Block Grant	Street Lighting	Cable TV	Public Improvement
Assets					
Cash and cash equivalents	\$ 1,479,540	\$ 91,043	\$ 80,152	\$ 1,133,938	\$ 72,493
Investments	-	-	303,259	100,000	-
Receivables - Net	247,826	-	60,389	205,345	-
Prepaid costs and other assets	-	-	-	18,903	-
Due from other funds	5,953	-	49,801	-	-
Due from other governmental units	206,853	396,075	-	-	-
Total assets	<u>\$ 1,940,172</u>	<u>\$ 487,118</u>	<u>\$ 493,601</u>	<u>\$ 1,458,186</u>	<u>\$ 72,493</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 16,071	\$ 21,657	\$ 25,541	\$ -
Due to other funds	284,311	290,856	116,816	1,901	-
Escrow deposits	-	-	-	100,000	-
Deferred revenue	240,909	180,191	-	-	-
Total liabilities	525,220	487,118	138,473	127,442	-
Fund Balances					
Reserved	-	-	-	127,557	-
Unreserved - Undesignated	1,414,952	-	355,128	1,203,187	72,493
Total fund balances	1,414,952	-	355,128	1,330,744	72,493
Total liabilities and fund balances	<u>\$ 1,940,172</u>	<u>\$ 487,118</u>	<u>\$ 493,601</u>	<u>\$ 1,458,186</u>	<u>\$ 72,493</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003**

Drug Forfeiture	Library	Task Force	E-911	800 MHZ	Task Force Airport	Metroact- Broadband	Total Nonmajor Special Revenue Funds
\$ 146,005	\$ 1,190,161	\$ 50,716	\$ 306,091	\$ 110,946	\$ 152	\$ 48,504	\$ 4,709,741
-	-	-	-	-	-	-	403,259
-	95,597	-	76,925	-	-	-	686,082
-	-	-	-	-	-	-	18,903
-	233,136	-	102,394	-	-	-	391,284
-	110,515	-	-	-	-	-	713,443
<u>\$ 146,005</u>	<u>\$ 1,629,409</u>	<u>\$ 50,716</u>	<u>\$ 485,410</u>	<u>\$ 110,946</u>	<u>\$ 152</u>	<u>\$ 48,504</u>	<u>\$ 6,922,712</u>
\$ 127	\$ 44,734	\$ 2,673	\$ -	\$ -	\$ -	\$ -	\$ 110,803
-	-	-	433,238	102,394	152	-	1,229,668
-	-	-	-	-	-	-	100,000
-	-	-	32,000	-	-	-	453,100
127	44,734	2,673	465,238	102,394	152	-	1,893,571
-	-	-	-	-	-	-	127,557
145,878	1,584,675	48,043	20,172	8,552	-	48,504	4,901,584
145,878	1,584,675	48,043	20,172	8,552	-	48,504	5,029,141
<u>\$ 146,005</u>	<u>\$ 1,629,409</u>	<u>\$ 50,716</u>	<u>\$ 485,410</u>	<u>\$ 110,946</u>	<u>\$ 152</u>	<u>\$ 48,504</u>	<u>\$ 6,922,712</u>

City of Westland, Michigan

	Local Roads	Community Development Block Grant	Street Lighting	Cable TV	Public Improvement
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	1,920,022	-	-	-
State sources	1,197,846	-	-	-	-
Local sources	-	-	-	-	-
Charges for services	-	-	-	951,129	-
Special assessments	109,796	-	872,296	-	-
Refund of captured property taxes	-	-	-	-	-
Interest and other	3,249	145,745	4,928	12,626	830
Total revenues	1,310,891	2,065,767	877,224	963,755	830
Expenditures					
Public safety	-	-	-	-	-
Highways, streets, and drains	2,208,117	-	-	-	-
Street lighting	-	-	992,628	-	-
Cultural and recreation	-	2,065,767	-	794,656	-
Contracted services	-	-	-	-	-
Capital outlay	-	-	-	-	15,681
Debt service	-	-	-	-	-
Sundry	-	-	-	-	6,100
Total expenditures	2,208,117	2,065,767	992,628	794,656	21,781
Excess of Revenues Over (Under) Expenditures	(897,226)	-	(115,404)	169,099	(20,951)
Other Financing Sources (Uses)					
Operating transfers in	836,863	-	120,000	-	-
Operating transfers out	-	-	-	(127,729)	-
Total other financing sources (uses)	836,863	-	120,000	(127,729)	-
Net Change in Fund Balances	(60,363)	-	4,596	41,370	(20,951)
Fund Balances - July 1, 2002	1,475,315	-	350,532	1,289,374	93,444
Fund Balances - June 30, 2003	\$ 1,414,952	\$ -	\$ 355,128	\$ 1,330,744	\$ 72,493

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2003

Drug Forfeiture	Library	Task Force	E-911	800 MHZ	Task Force Airport	Metroact - Broadband	Total Nonmajor Special Revenue Funds
\$ -	\$ 1,582,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,582,100
-	-	-	-	-	-	-	1,920,022
-	83,707	-	-	-	-	-	1,281,553
157,010	209,033	31,190	311,367	193,612	-	48,504	950,716
-	-	-	-	-	-	-	951,129
-	-	-	-	-	-	-	982,092
-	170,960	-	-	-	-	-	170,960
188	13,337	510	106,039	525	24,852	-	312,829
157,198	2,059,137	31,700	417,406	194,137	24,852	48,504	8,151,401
36,695	-	-	3,553	-	-	-	40,248
-	-	-	-	-	-	-	2,208,117
-	-	-	-	-	-	-	992,628
-	1,968,642	-	-	-	-	-	4,829,065
-	-	193,857	-	258,176	-	-	452,033
-	-	-	-	-	-	-	15,681
-	-	-	269,038	-	-	-	269,038
-	-	-	-	749	-	-	6,849
36,695	1,968,642	193,857	272,591	258,925	-	-	8,813,659
120,503	90,495	(162,157)	144,815	(64,788)	24,852	48,504	(662,258)
-	-	-	-	65,608	-	-	1,022,471
(51,100)	-	-	(140,608)	-	(24,852)	-	(344,289)
(51,100)	-	-	(140,608)	65,608	(24,852)	-	678,182
69,403	90,495	(162,157)	4,207	820	-	48,504	15,924
76,475	1,494,180	210,200	15,965	7,732	-	-	5,013,217
\$ 145,878	\$ 1,584,675	\$ 48,043	\$ 20,172	\$ 8,552	\$ -	\$ 48,504	\$ 5,029,141

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Debt Service Funds June 30, 2003

	Motor Vehicle Highway Debt - Newburgh	Building Authority Debt - Tower	County Drain Debt	Building Authority - Court Expansion	Total Nonmajor Debt Service Funds
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ 55,855	\$ -	\$ 55,855
Receivables - Net	-	-	65,779	-	65,779
Due from other funds	-	543,035	401,046	-	944,081
Total assets	<u>\$ -</u>	<u>\$ 543,035</u>	<u>\$ 522,680</u>	<u>\$ -</u>	<u>\$ 1,065,715</u>
Liabilities and Fund Balances					
Liabilities - Due to other funds	\$ -	\$ 83,465	\$ -	\$ -	\$ 83,465
Fund Balances - Unreserved - Undesignated	-	459,570	522,680	-	982,250
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 543,035</u>	<u>\$ 522,680</u>	<u>\$ -</u>	<u>\$ 1,065,715</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Debt Service Funds Year Ended June 30, 2003

	Motor Vehicle Highway Debt - Newburgh	Building Authority Debt - Tower	County Drain Debt	Building Authority Debt - Court Expansion	Total Nonmajor Debt Service Funds
Revenues					
Property taxes	\$ -	\$ -	\$ 870,247	\$ -	\$ 870,247
Local sources	-	26,056	-	-	26,056
Charges for services	-	-	-	209,400	209,400
Refund of captured property taxes	-	-	93,582	-	93,582
Interest and other	-	-	3,335	-	3,335
Total revenues	-	26,056	967,164	209,400	1,202,620
Expenditures - Debt service	<u>462,100</u>	<u>162,850</u>	<u>865,944</u>	<u>209,400</u>	<u>1,700,294</u>
Excess of Revenues Over (Under) Expenditures	(462,100)	(136,794)	101,220	-	(497,674)
Other Financing Sources - Operating transfers in	<u>462,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>462,100</u>
Net Change in Fund Balances	-	(136,794)	101,220	-	(35,574)
Fund Balances - July 1, 2002	<u>-</u>	<u>596,364</u>	<u>421,460</u>	<u>-</u>	<u>1,017,824</u>
Fund Balances - June 30, 2003	<u>\$ -</u>	<u>\$ 459,570</u>	<u>\$ 522,680</u>	<u>\$ -</u>	<u>\$ 982,250</u>

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Capital Projects Funds June 30, 2003

	Tower	Building Authority - Court Expansion	Drain Problem	Total Nonmajor Capital Projects Funds
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 83,910	\$ 83,910
Due from other funds	86,691	-	63,000	149,691
Total assets	<u>\$ 86,691</u>	<u>\$ -</u>	<u>\$ 146,910</u>	<u>\$ 233,601</u>
Fund Balances - Unreserved - Designated	<u>\$ 86,691</u>	<u>\$ -</u>	<u>\$ 146,910</u>	<u>\$ 233,601</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Capital Projects Funds Year Ended June 30, 2003

	Tower	Building Authority - Court Expansion	Drain Problem	Total Non- major Capital Projects Funds
Revenues - Interest and other	\$ -	\$ 957	\$ 1,122	\$ 2,079
Expenditures				
Public safety	2,300	-	-	2,300
Highways, steets, and drains	-	-	58,881	58,881
Capital outlay	-	2,000	-	2,000
Sundry	-	2,226	-	2,226
Total expenditures	2,300	4,226	58,881	65,407
Excess of Expenditures Over Revenues	(2,300)	(3,269)	(57,759)	(63,328)
Other Financing Sources - Operating transfers in	-	-	63,000	63,000
Net Change in Fund Balances	(2,300)	(3,269)	5,241	(328)
Fund Balances - July 1, 2002	88,991	3,269	141,669	233,929
Fund Balances - June 30, 2003	<u>\$ 86,691</u>	<u>\$ -</u>	<u>\$ 146,910</u>	<u>\$ 233,601</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2003

		Self-insurance		
		Workers'		
	Motorpool	Compensation	General Liability	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 36,128	\$ -	\$ -	\$ 36,128
Due from other funds	32,267	254,112	497,619	783,998
Inventory	25,966	-	-	25,966
Prepaid and other assets	2,084	-	91,942	94,026
Total current assets	96,445	254,112	589,561	940,118
Equipment	3,227,660	-	-	3,227,660
Total assets	3,324,105	254,112	589,561	4,167,778
Liabilities				
Current liabilities:				
Accounts payable	42,704	-	-	42,704
Accrued liabilities	34,205	254,112	401,519	689,836
Current portion of long-term debt	65,367	-	-	65,367
Total current liabilities	142,276	254,112	401,519	797,907
Long-term debt	283,256	-	-	283,256
Total liabilities	425,532	254,112	401,519	1,081,163
Net Assets				
Invested in capital assets - Net of related debt	2,879,037	-	-	2,879,037
Unrestricted	19,536	-	188,042	207,578
Total net assets	<u>\$ 2,898,573</u>	<u>\$ -</u>	<u>\$ 188,042</u>	<u>\$ 3,086,615</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Revenues, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2003

		Self-insurance		
		Worker's		
	Motorpool	Compensation	General Liability	Total
Operating Revenues - Charges to other funds	\$ 1,666,430	\$ 418,309	\$ 1,229,455	\$ 3,314,194
Operating Expenses				
Wages and fringe benefits	552,367	-	-	552,367
Contracted services	135,800	-	-	135,800
Operating supplies	240,957	-	-	240,957
Repairs and maintenance	332,332	-	-	332,332
Insurance, claims, and other	68,682	418,309	1,278,983	1,765,974
Depreciation	863,179	-	-	863,179
Rent	17,395	-	-	17,395
Total operating expenses	<u>2,210,712</u>	<u>418,309</u>	<u>1,278,983</u>	<u>3,908,004</u>
Operating Loss	(544,282)	-	(49,528)	(593,810)
Nonoperating Revenue (Expenses)				
Investment income	459	-	966	1,425
Interest expense	(2,690)	-	-	(2,690)
Loss on disposal of assets	(9,774)	-	-	(9,774)
Total nonoperating revenue (expenses)	<u>(12,005)</u>	<u>-</u>	<u>966</u>	<u>(11,039)</u>
Loss - Before capital contributions	(556,287)	-	(48,562)	(604,849)
Capital Contributions	<u>487,188</u>	<u>-</u>	<u>-</u>	<u>487,188</u>
Change in Net Assets	(69,099)	-	(48,562)	(117,661)
Net Assets - July 1, 2002	<u>2,967,672</u>	<u>-</u>	<u>236,604</u>	<u>3,204,276</u>
Net Assets - June 30, 2003	<u>\$ 2,898,573</u>	<u>\$ -</u>	<u>\$ 188,042</u>	<u>\$ 3,086,615</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2003

		Self-insurance		
	Motorpool	Workers' Compensation	General Liability	Total
Cash Flows from Operating Activities				
Internal activity - Payments from other funds	\$ 1,540,341	\$ 363,616	\$ 1,379,455	\$ 3,283,412
Payments to suppliers	(816,195)	-	-	(816,195)
Payments to employees	(555,113)	-	-	(555,113)
Claims paid	-	(363,616)	(1,380,421)	(1,744,037)
Net cash provided by (used in) operating activities	169,033	-	(966)	168,067
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of assets	46,300	-	-	46,300
Principal and interest paid on long-term debt	(24,837)	-	-	(24,837)
Proceeds from long-term debt	325,169	-	-	325,169
Purchase of capital assets	(647,007)	-	-	(647,007)
Net cash used in capital and related financing activities	(300,375)	-	-	(300,375)
Cash Flows from Investing Activities - Interest received on investments and other assets	459	-	966	1,425
Net Decrease in Cash and Cash Equivalents	(130,883)	-	-	(130,883)
Cash and Cash Equivalents - July 1, 2002	167,011	-	-	167,011
Cash and Cash Equivalents - June 30, 2003	<u>\$ 36,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,128</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating loss	\$ (544,282)	\$ -	\$ (49,528)	\$ (593,810)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation	863,179	-	-	863,179
Changes in assets and liabilities:				
Due from other funds	3,733	(54,693)	150,000	99,040
Inventories	(16,374)	-	-	(16,374)
Other assets	(1,496)	-	(91,942)	(93,438)
Accounts payable	(3,074)	-	(9,496)	(12,570)
Accrued liabilities	(2,746)	54,693	-	51,947
Due to other funds	(129,907)	-	-	(129,907)
Net cash provided by (used in) operating activities	<u>\$ 169,033</u>	<u>\$ -</u>	<u>\$ (966)</u>	<u>\$ 168,067</u>

Noncash Activities - Capital assets of \$487,188 were acquired by the Community Development Block Grant Fund and donated to the Motorpool Fund.

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Fiduciary Funds - Agency Funds June 30, 2003

	Agency Funds			
	Trust and Agency	Undistributed Tax Collection	District Court	Total
Assets				
Cash and cash equivalents	\$ 2,347,604	\$ 737,255	\$ 500,212	\$ 3,585,071
Accrued interest and other assets	-	126	-	126
Total assets	<u><u>\$ 2,347,604</u></u>	<u><u>\$ 737,381</u></u>	<u><u>\$ 500,212</u></u>	<u><u>\$ 3,585,197</u></u>
Liabilities				
Accounts payable	\$ -	\$ 6,339	\$ -	\$ 6,339
Accrued and other liabilities	2,347,604	-	427,150	2,774,754
Due to component units	-	3,248	-	3,248
Due to other governmental units	-	727,794	73,062	800,856
Total liabilities	<u><u>\$ 2,347,604</u></u>	<u><u>\$ 737,381</u></u>	<u><u>\$ 500,212</u></u>	<u><u>\$ 3,585,197</u></u>